

SYSTEMIC CHANGE AND SYSTEM CHANGE REPORT

Sarathi - Improving Financial Health
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Introduction

The Sarathi II project, aimed at enhancing financial inclusion for Ready-Made Garment (RMG) workers in Bangladesh, focuses on bridging the gap between formal financial services and underserved worker communities. Through strategic collaborations with financial institutions, mobile financial service providers, and RMG employers, the project facilitates sustainable access to financial products tailored to the unique needs of this workforce. By empowering RMG workers with knowledge and tools for managing their finances, Sarathi II strengthens their economic resilience.

The objective of this report is to evaluate both systemic and system-level changes that have occurred due to the project interventions. While systemic change refers to broader, long-lasting transformations in the financial inclusion landscape, system change delves into the shifts in processes, behavior, and relationships among the stakeholders directly engaged in the project.

In assessing these changes, the report seeks to understand how Sarathi II has influenced the financial ecosystem and to what extent the project's interventions have driven innovation, collaboration, and policy shifts that will outlast the project lifecycle. This assessment is crucial for identifying key lessons learned and opportunities for scaling such initiatives in the future.

Financial Inclusion in Bangladesh's RMG Sector

The ready-made garment (RMG) sector in Bangladesh employs around 4.2 million workers, with women making up 64% of the workforce.¹ While digital financial products and services have the potential to greatly enhance the financial security of these workers, many still face barriers in accessing and using these services. In recent years, the country has witnessed a significant rise in the adoption of digital financial products and services, driven by substantial investments in digital infrastructure. The number of internet banking customers increased to 6.57 million in February 2023, compared to 4.7 million in February 2022 and 3.4 million in February 2021.² Over 70,000 female garment workers opened mobile financial accounts between 2016 and 2018, enabling secure money transfers, savings, and payments.³ A great transformation in DFS happened in the post-COVID era. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), 2.5 million workers opened accounts alone in April 2020.

Wage Digitalization of RMG Workers: The digitalization of wage disbursement has transformed the financial inclusion landscape for the RMG workers in Bangladesh. This shift from cash payments to digital wage transfers has not only enhanced transparency and security but has also opened access to formal financial services for millions of workers. Platforms like DBB PLC's Rocket and UCB PLC's UCash allowed RMG workers to receive

¹ "ERMG PROJECT: FINANCIAL INCLUSION," BRAC, accessed September 26, 2024, <https://www.brac.net/program/wp-content/uploads/2020/02/ERMG-Financial-Inclusion.pdf>.

² UNCDF, "Digital Financial Services for Garment Workers in Bangladesh: Research on Digital Financial Capabilities, Financial Products Availability and Usage, and Social Welfare Ecosystem," accessed September 17, 2024, <https://www.uncdf.org/article/8467/digital-finance-garment-workers-bangladesh-insights>.

³ World Bank Group, "Accelerating Women's Financial Inclusion in Bangladesh's Garment Sector - Digital Wages," January 6, 2020, <https://digitalwages.org/insights/accelerating-womens-financial-inclusion-in-bangladeshs-garment-sector/>.

wages directly into mobile wallets, reducing reliance on cash and giving workers control over their finances. This development is especially crucial for female workers, who often faced challenges accessing banking services. The integration of digital wage disbursement has also helped ensure timely payments, eliminated fraud, and minimized the risks of theft associated with cash payments.

In addition to convenience, wage digitalization has promoted broader financial literacy among workers. Employers, banks, and development partners like Swisscontact are collaborating to educate RMG workers about the benefits of digital banking and mobile wallet systems, enabling workers to explore additional financial services such as savings accounts and insurance products. These efforts are leading to more sustained economic well-being and empowering workers to manage their finances effectively.

Access to Quick Credit: Access to credit is a critical issue for low-income RMG workers, who often need immediate funds to address short-term financial emergencies. Recent developments in the sector have focused on introducing quick credit solutions, such as nano-loans and payday loans, which are tailored to meet the unique needs of RMG workers. The City Bank-bKash Digital Nano Loan is an excellent example of this, allowing eligible workers to access collateral-free loans ranging from Tk. 500 to Tk. 20,000 instantly through the bKash app. These loans provide a crucial lifeline for workers needing urgent funds without resorting to high-interest informal loans.

Fintech platforms like Wagely, AGAM, and Drutoloan have also emerged as key players in offering earned wage advances (EWA) and micro-lending services. Wagely, for instance, allows workers to access a portion of their earned wages before payday, reducing their reliance on high-interest credit. These earned wage advance services help workers avoid debt traps and meet immediate financial needs, whether it's for healthcare, family emergencies, or everyday expenses. Additionally, micro-lending services offered by Agam and Drutoloan provide flexible repayment options, making them accessible and practical for low-income RMG workers who may not qualify for traditional bank loans.

Micro Savings and Promotion of Formal Savings: While quick credit solutions are essential, fostering a culture of saving among RMG workers is equally important. A significant number of RMG workers remain unbanked or underbanked, limiting their ability to save formally. However, initiatives such as Bank Asia's DPS 100 and the IDLC-bKash Digital Saving Scheme offer structured savings opportunities for workers. Bank Asia's DPS 100 enables low-income individuals to deposit BDT 100 monthly into a savings account, providing a secure and convenient way for RMG workers to accumulate savings over time and receive a lump sum at maturity. This product is designed to build long-term financial security and can serve as a tool for workers to manage their financial future.

The IDLC-bKash Digital Saving Scheme takes a more tech-forward approach, enabling workers to open a savings account and make monthly deposits ranging from Tk. 500 to Tk. 3,000 through the bKash app. This scheme is particularly effective for RMG workers, as instalments are automatically deducted, encouraging disciplined savings behavior. With low barriers to entry, these products are not only improving financial inclusion but also promoting a culture of savings, essential for building a financial cushion for the workers and their families.

Moreover, financial literacy programs run by banks and development organizations are educating RMG workers on the importance of saving formally. Programs such as those

offered by Prime Bank PLC and Eastern Bank PLC aim to equip workers with the knowledge to manage their earnings effectively and utilize savings products to build their financial resilience.

Micro Savings to Build Safety Net: Building a financial safety net through micro-insurance products is a critical step toward ensuring long-term financial security for RMG workers. Health insurance companies like Guardian Life Insurance Ltd., Zaynax Health, and HealthX have developed affordable micro-insurance packages tailored to the specific needs of RMG workers. These packages cover essential services such as hospitalization, critical illness, and maternity care, ensuring that workers have access to healthcare without incurring debilitating financial costs.

Platforms like Guardian Life Insurance Ltd. and Zaynax Health have embraced digital solutions, allowing RMG workers to enroll, manage policies, and access healthcare services directly from their mobile phones. This approach not only simplifies the insurance process but also makes these services more accessible to workers who may not have the time or resources to visit physical branches. Digital platforms reduce paperwork, ensure transparency, and provide quick claim processing, further building trust in the formal insurance system.

Bimafy and Waadaa.Insure are also offering micro-insurance solutions focused on enhancing financial stability by providing low-cost health coverage. These companies have partnered with garment factories to ensure that workers have easy access to insurance, building a robust financial safety net. This effort not only protects workers from unexpected financial shocks due to health emergencies but also contributes to their overall financial inclusion by integrating them into formal financial systems.

Towards a Cashless Society: Bangladesh Bank is working actively to build a cashless society. They have already taken initiatives, such as introducing Bangla QR so that people can make digital transactions regardless of which bank accounts they have. In addition to the rise in digital financial products, the central bank has also introduced no-frills accounts for marginal people with minimal or zero maintenance fees to make banking services accessible to underserved populations, including RMG workers. These accounts allow workers to engage with formal banking without the burden of high costs, encouraging savings and secure transactions.

Moreover, Bangladesh Bank has implemented a refinancing mechanism that supports financial institutions in offering credit facilities to low-income communities. This initiative helps banks extend affordable loans to marginalized groups, such as micro-entrepreneurs and RMG workers, who often lack collateral or a credit history. By reducing the risk for financial institutions, the refinancing mechanism enables broader access to credit, contributing to economic empowerment and resilience in low-income sectors.

Methodological Brief

The Adopt-Adapt-Expand-Respond (AAER) framework is used to report systemic changes, while the helicopter and intervention lenses are utilized to assess changes within the system. Partners are evaluated based on their progress over the project timeline. Although it was somewhat early to assess the expand and respond components, the assessment team

examined the crowding-in phenomenon, where other competitors began to intervene following the initiation of the Sarathi project.

While the tool is based on the Adopt-Adapt-Expand-Respond (AAER) matrix, it excludes the Respond level from the scoring part because the Respond level is something that is not planned and can be uncertain. The first three significant matrices have been used for creating the tool, and each level of the AAER framework has been divided into two sub-levels so the indications of progress can be captured in a more specific form and the scoring can be justified. Each level has been segregated into the "Initial" and "Matured" levels to specify the progress in that particular level. In such a way, considering the baseline status score be 0, 1 and 2 have been assigned for the initial and matured levels of Adopt matrix, 3 and 4 for those two levels of Adapt matrix, and 5 and 6 for those two levels of Expand matrix. So, any intervention can be scored from 0 to 6 based on the status of the market system that it is dealing with⁴. Following is the basic conceptual framework of the scoring process.

Score	Details
0	The market system is still at the baseline status.
1	The planned intervention results are in the making. Some of the products and services have been offered to some target groups, and some are using the offered products and services.
2	All the planned products and services have been offered to all the target groups, and the initial target groups are using the offered products and services.
3	The partner/s is convinced of the pilot intervention feasibility and business viability, and they are expanding the model in their business and investing additional resources in favor of the model. The primary target groups continue using the new products and services.
4	The partner/s has mainstreamed the business model, and the primary target groups have expanded the use of the products and services.
5	Some similar market actors copy the business model, and wider target groups use the products or services.
6	The business model has become a market norm, and most of the target wider groups are using the products and services.

Systemic Change

From the brief financial inclusion landscape, it is evident that many players are contributing to the financial inclusion of RMG workers. The changes among Sarathi project partners are reported below. The table below shows the progress of the project partners. The following table scores the progress towards a systemic change of Sarathi-supported partners working to facilitate access to customized financial health solutions. The average score is 2.64, which indicates that Sarathi partners generally have delivered their assignments and are now planning to invest in the model by themselves.

Table 1: Tracking progress towards systemic change: (scoring table based on the AAER framework, excluding the Respond level)

SI	Partner name	Adopt			Adapt		Expand	
		0 (baseline)	1 (initial)	2 (matured)	3 (initial)	4 (matured)	5 (initial)	6 (matured)

⁴ The scoring process is a quantitative method for tracking the progress of market system interventions. It does not imply that one stage is better than another. Instead, it is used to identify the stage at which an intervention currently stands and to assess whether it is moving towards more sustainable, widespread systemic change.

1.	Nagad		2			
2.	Rocket				4	
3.	AGAM		2			
4.	Dhaka Bank PLC			3		
5.	Bank Asia PLC				4	
6.	DBB PLC			3		
7.	Zaynax Health		2			
8.	Guardian Life Insurance Limited (GLIL)		2			
9.	Waadaa.insure		2			
10.	Rajesh Bheda Consulting (RBC)		2			
11.	YPSA			3		
Total			12	9	8	
Percentage			54.55%	27.27%	18.18%	
Average			2.64			

At the time of the early sign of impact assessment, 2 out of 11 partners (18.18%) have reached a mature stage of adaptation (stage 4). These partners have achieved broader customer outreach through interventions under the Sarathi II project. In collaboration with Sarathi II, Rocket successfully expanded its customer base by 10% in the project areas (Gazipur, Savar, and Narayanganj), opening 69,000 new accounts. Rocket is already promoting its products nationwide with its own investments. Before the intervention, RMG workers typically withdrew their entire salary instantly. Now, they withdraw money based on their daily needs, though it has been challenging to habituate them to using payment and other services due to their busy work schedules. Rocket has made digital transactions affordable and accessible for RMG workers, enabling them to use digital payment systems in nearby grocery shops and residences. A positive outcome from the project is that RMG workers now use 4-6 different services from Rocket, whereas previously, they only used it for salary accounts. According to Rocket, they have managed to encourage RMG workers to go beyond ATM withdrawals, enabling them to use their accounts for mobile recharge, merchant banking, and bill payments. However, the use of Rocket for other financial services remains limited as people tend to prefer bKash over Rocket due to bKash's stronger branding and accessibility. To compete in the market, Rocket has expanded its merchant network in local grocery shops and pharmacies. As one of the leading MFS platforms, bKash has established a strong presence in advancing wage digitization and digital transformation among RMG workers. Since 2019, their efforts in RMG factories have significantly contributed to the sector's digital transformation. Similarly, Upay got inspired by Sarathi's interventions and they approached Sarathi to be a partner.

Another partner, Bank Asia PLC, has expanded its reach nationwide, both within and beyond the RMG sector, with its financial products (Achol, DPS 100). They were the first bank to open a branch office on factory premises to promote financial inclusion for RMG workers. This model turned out to be very successful, minimizing the gaps between the RMG workers and the financial institutes. Through their extensive agent banking network, they have been able to reach a wider range of customers. These partners are carrying forward these interventions with and without the support of development partners.

Another partner, YPSA, has achieved success in offering sustainable outcomes with their strong hold over the local communities. Their strategic decision in beneficiary selection and the blending of savings intervention with entrepreneurship development intervention has enabled them to achieve the desired outcomes. They are strengthening the entrepreneurship development model with their own investments realizing the positive impacts it has created within the target communities.

3 out of 11 (27.27%) partners are at the initial stage of the adaptation (stage 3). Beyond the project activities, Dhaka Bank PLC (DB PLC) is working to develop a user-friendly and paperless banking system, through which customers can avail themselves of loan (e-Rin) and savings (NSS) products using their smartphones. They have also partnered with the MFS platform bKash in this regard and are offering the mentioned savings product through bKash's interface without any cost for opening savings accounts or withdrawals. They are aiming for long-term sustainability by continuously modifying their products to better serve low-income communities. DB PLC is planning to implement free cash-in, cash-out, and money transfer services, which could revolutionize banking for low-income communities and the broader banking system. The bank has also set up ATMs in factory areas, with a ratio of one ATM per 2,000 workers, and up to three ATMs per factory. However, they claimed that promoting their offers and schemes is challenging due to budget limitations for advertisements. They seek development funds to carry out improved promotional activities that would lead to greater success in future initiatives. Dutch-Bangla Bank PLC (DBB PLC) is one of the pioneer banks in promoting the wage digitization of RMG workers. Through its extensive network of branches, ATMs, and mobile banking services, it has already ensured a sustainable customer base.

More than half of the partners (54.55%) are at the mature stage of adoption (stage 2), which means they have performed the expected activities but have not invested on their own yet. For instance, Zaynax Health completed its assigned activities successfully. They have included community paramedics and local clinics, alongside local pharmacies, to expand its network and reach a wider range of people, including RMG workers. It has also partnered with UNCDF to promote financial literacy along with insurance products. Realizing the benefits of such a model, they are trying to expand their services with support from development partners. Similarly, Waadaa.Insure's intervention in the RMG sector currently depends on development funding. Though they have realized the benefits of investing in this sector, they prefer partnering with developing entities as the health insurance sector is not yet developed in the RMG sector. Another partner, Guardian Life Insurance Limited (GLIL), has completed their activities successfully. They formed a partnership with bKash to offer their insurance schemes to the RMG workers through bKash's interface.

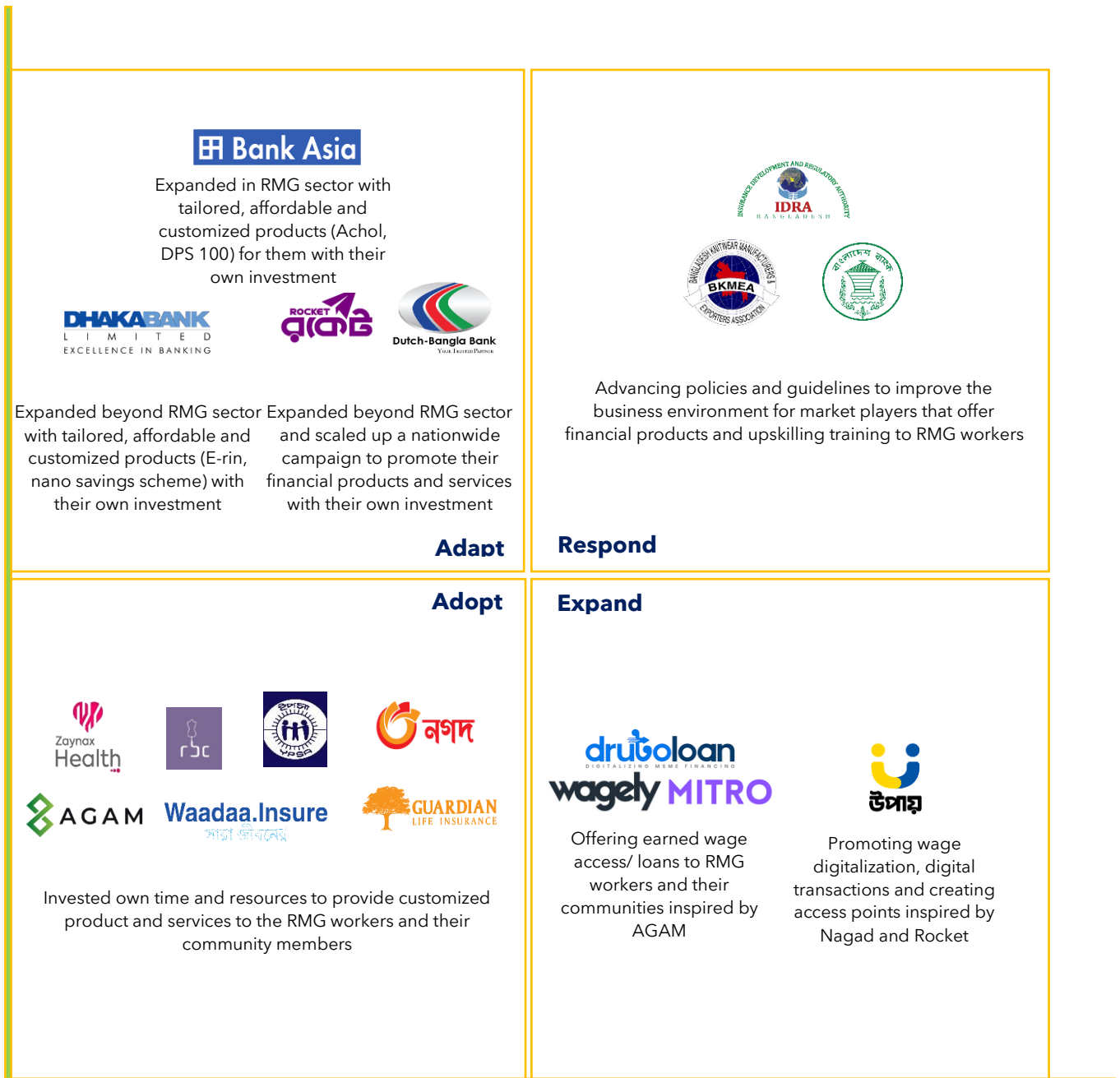
The fintech company, AGAM has made a significant impact with its financial products and AI-driven evaluation and service tools. Their Prime Agrim - Earned Wage Access (EWA) product is gaining popularity. AGAM is currently enhancing its services and addressing model glitches. However, they need support from development partners to solidify their brand image and expand their market presence to surpass competitors. Otherwise, achieving a lasting impact could be difficult. Wagely, Mitro, and Drutoloan are AGAM's main competitors. These competitors provide earned wage access and quick loans to broader communities, including RMG workers, and have formed partnerships with RMG factories to deliver these services. For example, Wagely has teamed up with the New Age factory to offer similar financial assistance. Agam claims that these competitors entered the

RMG sector by following their lead and sought collaboration with them. This could be attributed to the Sarathi project intervention.

RBC has been working in the RMG sector for more than a decade and has made notable contributions to the skill development of RMG workers. They prefer to support development partners with their technical knowledge and skills rather than investing on their own.

With the aim of establishing a cashless society and promoting digital transactions, Bangladesh Bank initiated the development of Bangla QR, a common QR code that can be scanned by any digital transaction platform. To align with Bangladesh Bank's objective of building a cashless society, Rocket has launched Nexus Pay. Moreover, Bangladesh Bank is

Sustainability and resilience



Piloting

Scale

Crowding in

Figure 1: AAER matrix showing the progress status of Sarathi project partners and their competitors

currently working to revise government policies and regulatory frameworks based on a policy brief from the project, which analyzed gaps, barriers, and opportunities for the financial inclusion of low-income groups, especially RMG workers. After the sudden shock of COVID-19, BGMEA advocated for wage digitization, realizing the importance of digital transformation. BGMEA took the initiative to introduce a digital wallet for RMG workers through which they can have wages, loans, insurance, shopping facilities, and so on, but later they realized they were not the right authority to get that license. BGMEA signed MoUs with financial wellness platforms such as Mitro Fintech and Wagely, but they didn't work closely during the implementation. Currently, they are not implementing any projects targeting the financial inclusion of RMG workers except advocating on different platforms.

System Change

The financial inclusion model depicted in the image below highlights a strategic approach to improving the financial health of RMG workers. The broad changes that happened in the system due to the Sarathi project intervention were analyzed using the intervention and helicopter lenses. Key enablers of the system change include increased access to financial

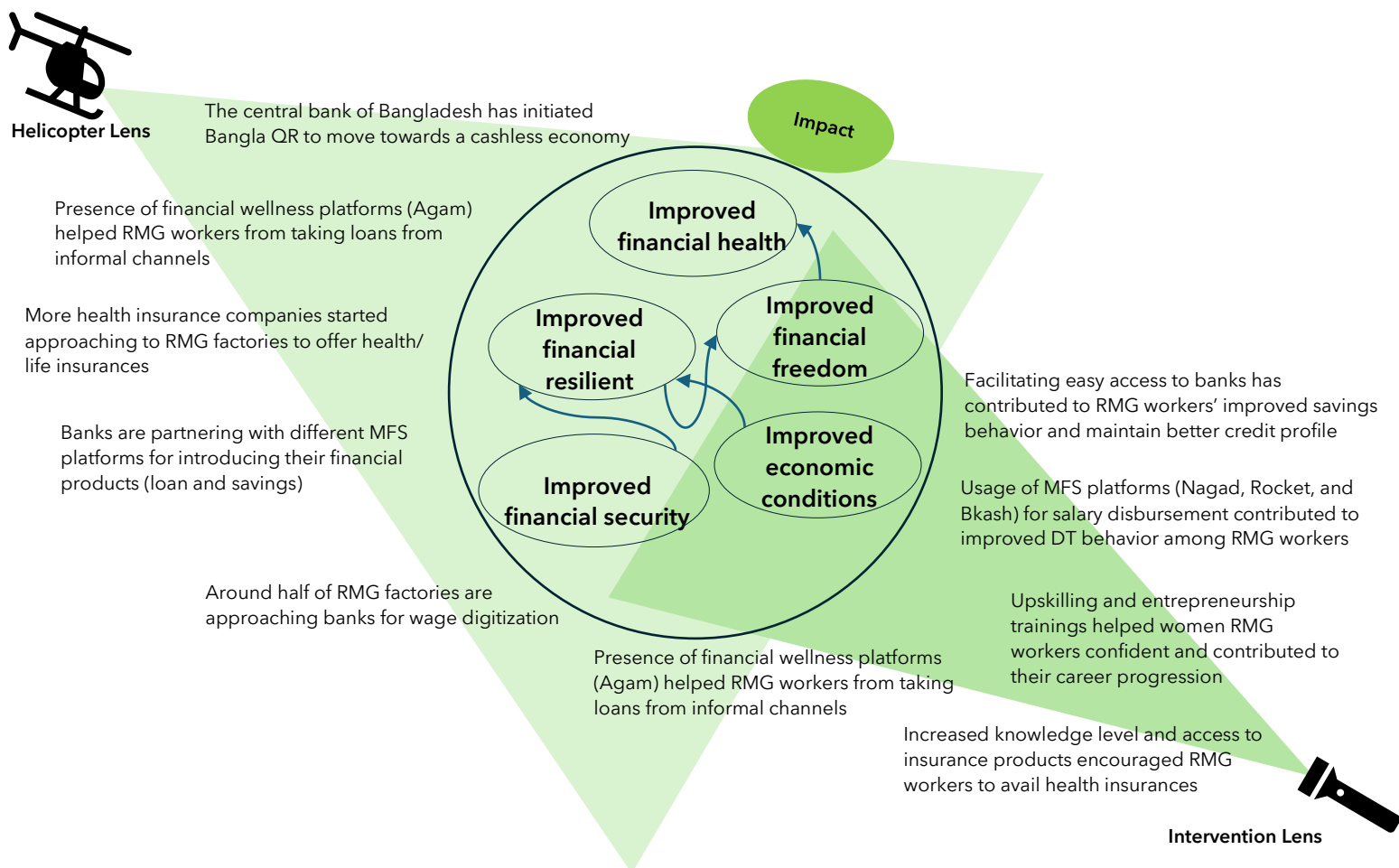


Figure 2: Looking into system change through intervention lens and helicopter lens

services through partnerships between banks, mobile financial service (MFS) platforms, fintech, insurance companies, and RMG factories, which facilitated wage digitization and digital transformation of the RMG sector. The system changes driven by the project intervention are described through two lenses: the helicopter lens and the intervention lens.

Intervention Lens:

Through the project interventions, banks and mobile financial services (MFS) platforms have partnered with ready-made garment (RMG) factories to offer wage digitization. This intervention increased financial inclusion by enabling workers to receive payments directly into bank accounts, thus integrating them into the formal financial system. The availability of tailored loans and savings products also enabled RMG workers to increase access to and usage of financial products. Financial access is further facilitated through the use of digital wallets like Nagad, Rocket, and bKash. These platforms provide convenient ways for RMG workers to perform financial transactions and manage their finances, especially for those who are otherwise excluded from traditional banking. Additionally, an increasing number of health insurance companies are focusing on RMG workers by offering accessible health and life insurance options, which mitigate risks and bolster financial security for these individuals.

The Sarathi project has made significant strides in improving the financial behavior, security, and economic condition of a substantial percentage of Bangladesh's Ready-Made Garment (RMG) workers. Specifically, 37% of the total RMG workers and their communities experienced improved financial resilience through access to various tailored financial products such as savings accounts, loans, and insurance. The project facilitated these changes by creating effective linkages among key system players, including financial institutions, RMG factory management, and governmental bodies like the BGMEA.

Prior to the Sarathi project, many workers were less familiar with formal financial products and relied on risky, informal systems for loans and savings. The project provided workers and community members with digital financial services, financial literacy training, and entrepreneurship opportunities, leading to a significant transformation in financial behavior. 83.54% of workers now use digital transactions regularly, and many workers have reported improved savings habits. The satisfaction among users is evident as they continue to engage with these products regularly, contributing to long-term financial security.

As a direct outcome of wage digitization and enhanced access to financial services, RMG workers have gained improved control over their finances, enabling them to plan and manage their expenses more efficiently. The presence of health and life insurance products acts as a safety net, diminishing their vulnerability to financial shocks and strengthening their resilience against economic uncertainties. The synergy of digital financial services expanded banking access, and insurance offerings has empowered workers to make well-informed financial decisions, thereby increasing their financial freedom.

One of the lasting impacts of the Sarathi project is that 18.5% of RMG workers are consistently benefiting from the health insurance products introduced by the project, even after it ended. Furthermore, many workers continue to use digital financial services and savings products, showing resilience in their financial behavior. A key factor in sustaining these benefits is the project's success in creating partnerships among financial institutions

and RMG factories, ensuring that the digital and financial ecosystems remain accessible to workers.

In conclusion, the Sarathi project's focus on building awareness, facilitating access to tailored financial products, and fostering linkages between key system players has resulted in significant improvements in the financial health and resilience of RMG workers in Bangladesh.

Helicopter Lens:

The Sarathi project's intervention was primarily motivated by the need to address the financial exclusion of RMG workers. Banks, mobile financial service (MFS) platforms, and insurance companies were motivated to partner with the project for various reasons, including the potential to tap into an underserved market segment and fulfill their corporate social responsibility. The goal was to digitize wage disbursement, improve access to tailored financial services, and enhance financial literacy, thus empowering RMG workers to manage their finances better. These changes align with both business incentives and industry trends that are increasingly focused on digital financial inclusion and reducing the reliance on cash-based transactions.

One of the key factors driving these changes is the growing demand for convenient, secure, and accessible financial services among RMG workers. Traditional banking methods were not meeting the needs of low-income workers, particularly women, who faced challenges in accessing financial services due to limited mobility and time constraints. The introduction of digital wallets like bKash, Rocket, and Nagad has addressed these barriers, providing a seamless way for workers to receive their wages, save, and make digital transactions. The rise in customer demand for digital platforms has further encouraged banks and fintech companies to innovate and create products tailored to low-income workers.

External factors, such as competitive pressures and industry trends, have also played a significant role in influencing these changes. The push toward a cashless society, driven by Bangladesh Bank's policies, has led to more banks and MFS platforms adopting digital solutions. Furthermore, competitive pressures have encouraged financial institutions to differentiate their offerings by developing specialized products for RMG workers, such as tailored loans and micro-insurance. The need to remain relevant in an increasingly digitized financial sector has motivated these actors to support the Sarathi project's objectives.

The interplay between various changes has resulted in a positive cycle of improvement. For example, entrepreneurship training provided by the project has empowered workers to become financially literate, which in turn has led them to take advantage of loan products offered by banks. Similarly, the use of digital wallets has encouraged workers to engage more frequently in digital transactions, which not only promotes savings but also increases their comfort with other formal financial services, such as insurance. These interlinked improvements demonstrate how progress in one area—such as wage digitization—can lead to enhanced outcomes in other areas, such as loan uptake and financial resilience.

Seeing the positive changes in the financial inclusion of RMG workers brought about by Sarathi and other similar projects, more banks, financial institutions, MFS platforms, insurance companies, and financial wellness companies are crowding in and trying to make their mark on the financial inclusion journey. There is a positive shift among these market actors, directly or indirectly influenced by Sarathi project interventions. Moreover, the

Bangladesh Bank's vision to create a cashless society has also contributed to the digital transformation efforts led by these market actors.

In summary, the Sarathi project has successfully driven systemic changes by aligning the motivations of financial system actors with the needs of RMG workers. The external factors of industry trends, customer demands, and competitive dynamics have further supported these changes. The project has created a synergistic environment where digital financial services, insurance offerings, and entrepreneurship support are reinforcing each other, contributing to a more financially empowered and resilient workforce.